

AMENDED IN SENATE AUGUST 9, 2006

AMENDED IN SENATE AUGUST 7, 2006

AMENDED IN SENATE JUNE 15, 2006

AMENDED IN ASSEMBLY MAY 26, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2778**

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**Introduced by Assembly Member Lieber  
(Coauthor: Assembly Member Saldana)**

February 24, 2006

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2778, as amended, Lieber. Electricity: self-generation incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law requires the commission, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004, subject to certain air emissions and efficiency standards. In a decision, the PUC adopted the California Solar Initiative, which modified the self-generation incentive program for distributed generation resources and provides incentives to customer-side photovoltaics and solar thermal electric projects under one megawatt.

This bill would require the commission, in consultation with the Energy Commission, to administer, until January 1, 2012, a self-generation incentive program for distributed generation resources. That program would be applicable to all eligible technologies, as determined by the commission, until January 1, 2008, except for solar technologies, which the commission would be required to administer separately, after January 1, 2007, pursuant to the California Solar Initiative. The bill, commencing January 1, 2008, until January 1, 2012, would limit eligibility for nonsolar technologies to fuel cells and wind distributed generation technologies that meet or exceed the emissions standards required under the distributed generation certification program adopted by the State Air Resources Board. The bill would require the Energy Commission, on or before November 1, 2008, in consultation with the commission and the board, to evaluate the costs and benefits of providing ratepayer subsidies for renewable and fossil fuel “ultraclean and low-emission distributed generation,” as defined, as part of the Energy Commission’s integrated energy policy report.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 379.6 of the Public Utilities Code is  
2     amended to read:  
3     379.6. (a) (1) The commission, in consultation with the State  
4     Energy Resources Conservation and Development Commission,  
5     shall administer, until January 1, 2012, the self-generation  
6     incentive program for distributed generation resources originally  
7     established pursuant to Chapter 329 of the Statutes of 2000.  
8     (2) Except as provided in paragraph (3), the extension of the  
9     program pursuant to this subdivision shall apply to all eligible  
10    technologies, as determined by the commission, until January 1,  
11    2008.  
12    (3) The commission shall administer solar technologies  
13    separately, after January 1, 2007, pursuant to the California Solar  
14    Initiative adopted by the commission in Decision 06-01-024.  
15    (b) Commencing January 1, 2008, until January 1, 2012,  
16    eligibility for the program pursuant to paragraphs (1) and (2) of  
17    subdivision (a) shall be limited to fuel cells and wind distributed

1 generation technologies that meet or exceed the emissions  
2 standards required under the distributed generation certification  
3 program requirements of Article 3 (commencing with Section  
4 94200) of Subchapter 8 of Chapter 1 of Division 3 of Title 17 of  
5 the California Code of Regulations.

6 ~~(e)-(1)-(c)~~ *Eligibility for the self-generation incentive*  
7 *program's level 3 incentive category shall be subject to the*  
8 *following conditions:*

9 (1) Commencing January 1, 2007, all combustion-operated  
10 distributed generation projects using fossil fuel shall meet an  
11 oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07 pounds  
12 per megawatthour and a minimum efficiency of 60 percent. A  
13 minimum efficiency of 60 percent shall be measured as useful  
14 energy output divided by fuel input. The efficiency determination  
15 shall be based on 100 percent load.

16 (2) Combined heat and power units that meet the 60-percent  
17 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
18 emissions standard of 0.07 pounds per megawatthour. Credit  
19 shall be at the rate of one megawatthour for each 3.4 million  
20 British thermal units (Btus) of heat recovered.

21 (3) Notwithstanding paragraph (1), a project that does not  
22 meet the applicable NO<sub>x</sub> emissions standard is eligible if it meets  
23 both of the following requirements:

24 (A) The project operates solely on waste gas. The commission  
25 shall require a customer that applies for an incentive pursuant to  
26 this paragraph to provide an affidavit or other form of proof, that  
27 specifies that the project shall be operated solely on waste gas.  
28 Incentives awarded pursuant to this paragraph shall be subject to  
29 refund and shall be refunded by the recipient to the extent the  
30 project does not operate on waste gas. As used in this paragraph,  
31 "waste gas" means natural gas that is generated as a byproduct of  
32 petroleum production operations and is not eligible for delivery  
33 to the utility pipeline system.

34 (B) The air quality management district or air pollution control  
35 district, in issuing a permit to operate the project, determines that  
36 operation of the project will produce an onsite net air emissions  
37 benefit, compared to permitted onsite emissions if the project  
38 does not operate. The commission shall require the customer to  
39 secure the permit prior to receiving incentives.

1     (d) *In determining the eligibility for the self-generation*  
2     *incentive program, minimum system efficiency shall be*  
3     *determined either by calculating electrical and process heat*  
4     *efficiency as set forth in Section 218.5, or by calculating overall*  
5     *electrical efficiency.*

6     ~~(d)~~

7     (e) In administering the self-generation incentive program, the  
8     commission may adjust the amount of rebates, include other  
9     ultraclean and low-emission distributed generation technologies,  
10    as defined in Section 353.2, and evaluate other public policy  
11    interests, including, but not limited to, ratepayers, and energy  
12    efficiency and environmental interests.

13    ~~(e)~~

14    (f) On or before November 1, 2008, the State Energy  
15    Resources Conservation and Development Commission, in  
16    consultation with the commission and the State Air Resources  
17    Board, shall evaluate the costs and benefits, including air  
18    pollution, efficiency, and transmission and distribution system  
19    improvements, of providing ratepayer subsidies for renewable  
20    and fossil fuel “ultraclean and low-emission distributed  
21    generation,” as defined in Section 353.2, as part of the integrated  
22    energy policy report adopted pursuant to Chapter 4 (commencing  
23    with Section 25300) of Division 15 of the Public Resources  
24    Code. The State Energy Resources Conservation and  
25    Development Commission shall include recommendations for  
26    changes in the eligibility of technologies and fuels under the  
27    program, and whether the level of subsidy should be adjusted,  
28    after considering its conclusions on costs and benefits pursuant to  
29    this subdivision.